

BOARD POLICIES

A number of recent examinations have noted the lack of board-approved policies in three areas: Allowance for Loan and Lease Losses, Bank Secrecy Act (BSA), and Office of Foreign Asset Control (OFAC).

Allowance - A comprehensive policy should be developed and approved by the board that describes the method used by the credit union to determine expected losses in the loan portfolio. This policy should be developed in consultation with the credit union's CPA to ensure the method is acceptable and results in a fair valuation of loans on the balance sheet. The method developed and agreed to by the CPA must be applied consistently on at least a quarterly basis.

Bank Secrecy Act - Although most credit unions comply in practice with reporting requirements of the Bank Secrecy Act, the board should adopt a policy to assure the credit union meets the requirements of the regulation.

OFAC – To ensure compliance with the Office of Foreign Asset Control, the board of directors needs to establish a policy restricting the conduct of any business or transactions with prohibited individuals. Compliance with the policy will help avoid substantial civil and criminal penalties.

Please review your current policy manual to determine the board of directors has addressed these issues through written policy.